

# Criteria and Standards

## County Office of Education – Budgets

### CRITERIA

### STANDARDS

#### **FIRST TIER REVIEW**

(Deviations from the Average Daily Attendance, Deficit Spending, or Reserves standards trigger a second tier review – the 2<sup>nd</sup> Tier is in addition to all items in the 1<sup>st</sup> Tier)

#### Average Daily Attendance

ADA has not been overestimated in the 1<sup>st</sup> prior year or in 2 or more of the previous 3 years by more than the following variance levels:

<u>Standard</u>	<u>Average Daily Attendance (<i>Education Code</i> Section 1205)</u>
1.035	Under 1,000
1.030	1,000 through 6,999
1.025	7,000 through 59,999
1.020	Over 59,999

#### Deficit Spending

Deficit spending (Revenues plus Other Financing Sources less Expenditures less Other Financing Uses) has not exceeded the following variance levels in either the 1<sup>st</sup> and 2<sup>nd</sup> prior years or the 1<sup>st</sup> and 3<sup>rd</sup> prior years:

<u>Standard</u>	<u>Expenditures, Transfers Out, and Other Uses<sup>1</sup></u>
.0165	Less than \$4,000,001
.0132	\$4,000,001 through \$9,999,999
.0099	\$10,000,000 through \$45,000,000
.0066	Over \$45,000,000

<sup>1</sup> An Administrative Unit of a Special Education Local Plan Area may exclude the distribution of revenues to its participating members.

Expenditure thresholds to be adjusted annually by the prior year's revenue limit cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

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#### Reserves

Available reserves are not less than the following percentages or amounts as applied to total expenditures, transfers out and other uses:

<u>Standard</u> <sup>1</sup>	<u>Expenditures, Transfers Out, and Other Uses</u> <sup>2</sup>
The greater of 5% or \$50,000	Less than \$4,000,001
The greater of 4% or \$200,000	\$4,000,001 through \$9,999,999
The greater of 3% or \$400,000	\$10,000,000 through \$45,000,000
The greater of 2% or \$1,350,000	Over \$45,000,000

<sup>1</sup> Available reserves from the Juvenile Court/County Community Schools and Regional Occupational Centers/Programs may be included, up to applicable percentage of program expenditures. Funds designated as reserves for this purpose continue to be restricted for use only in those programs.

Expenditure thresholds to be adjusted annually by the prior year's revenue limit cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

<sup>2</sup> An Administrative Unit of a Special Education Local Plan Area may exclude the distribution of revenues to its participating members.

Expenditure thresholds to be adjusted annually by the prior year's revenue limit cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

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##### **Supplemental Information**

Provide supplemental information as follows:

- A multiyear projection for the County School Service Fund which indicates that the fund balance at the end of this fiscal year and the two subsequent fiscal years will be positive.
- Provide an explanation if revenue limit is budgeted to increase or decrease by more than the change in base revenue limit per ADA plus the change in population from the prior year.
- Provide an explanation if salaries and benefits are budgeted to increase by more than the change in base revenue limit per ADA plus the change in population from the prior year.
- Compare the change in fund balance for the budget and two prior years. Provide an explanation if fund balance has declined for the last two fiscal years.
- Fund balance is not less than the sum of its components.
- If more than 1% of on-going County School Service Fund operating expenditures are funded with one-time resources in the budget year, explain how the one-time resources will be replaced to continue funding the on-going expenditures in the following years.
- Identify all significant multiyear commitments for the next three years and identify the resources used to service those commitments.
- Identify the status of all capital projects that may impact the County School Service Fund operational budget.
- Analyze the change in Special Education funding. Provide an explanation if revenues have changed by more than 5% from the prior year.
- Analyze contributions to restricted programs. Provide an explanation if contributions have increased by more than 10% from the prior year.
- Identify the liability for health and welfare benefits for retired employees based on the required actuarial study, and how costs are accounted for.
- Identify all temporary borrowings between funds (refer to *Education Code* Section 42603).
- Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that may impact the budget.
- Analyze the status of employee salary and benefit negotiations.

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Supplemental Information - (continued)

If salary and benefit negotiations are not finalized, upon settlement with certificated or classified staff:

- The county office must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the California Department of Education with an analysis of the cost of the settlement and its impact on the operating budget. The county board of education must certify to the validity of the analysis.
- The California Department of Education shall review the analysis relative to the criteria and standards, and may provide written comments to the president of the county board and the county superintendent.

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##### **SECOND TIER REVIEW**

**(Deviations must be explained in writing)**

**NOTE: In addition to the items in the 1<sup>st</sup> Tier, the 2<sup>nd</sup> Tier includes:**

Other Revenue

Federal revenues, other state revenues, and local revenues have not increased or decreased by more than 10% from the prior year revenues.

Other Operating Expenses

Expenditures for books and supplies, and services and other operating expenditures, have not increased or decreased by more than 10% or the change in base revenue limit plus population (whichever is greater) from the prior year.

Capital outlay and other outgo have not increased or decreased by more than 40% from the prior year.

Other Sources and Uses

Sources and Uses have not increased or decreased by more than 40% from the prior year.

Supplemental Information

Analyze the County School Service Fund for changes in the budget and three prior fiscal years in ADA; Operating Revenue and Expenditures; Surplus/(Deficit); Ending Fund Balance; and Reserve.